

Guideline How To start Business in Lebanon

1-Introduction

1.1Objective

The Guideline to establishing businesses and Institutions includes the country-specific trade and investment laws, and the stages of business establishment in its three stages (planning, preparation and incorporation) with the definition of the legal structure for a number of business types as well as a list of all necessary procedures, relevant documents and official authorities.

1.3Investment laws in Lebanon

- ❖ Investment in Lebanon is subject to the Law 360 of 2001, of which the most important is :
- ❖ The establishment of the Public Institution for Investment Promotion in Lebanon, which has a legal entity and administrative and financial independence, and which is attached to the Prime Minister, who exercises the guardianship authority over it.
- ❖ Exemptions, rebates and facilities granted to the investment projects covered by the provisions of this Law.
- ❖ Link to the investment law (360) for the year 2001

<http://www.e-lawyerassistance.com/LegislationsPDF/lebanon/investmentencouregmentAr.pdf>
<http://www.opportunities.com.lb/Lebanon/Tables/InvLaw360English.pdf>

The law on the promotion of investments in Lebanon consisting of 22 articles:



Law191766.pdf

1.2 Phases of business incorporation

2.2 First phase (planning)

Project planning is one of the most important steps, as it is a tool for building a preconception of the project and visualising the expected risks that the project will face during its implementation, and what mechanisms are needed to resolve such anticipated problems. The success of project planning is linked to the capacity and experience of the persons responsible for planning and their experience in anticipating the problems and difficulties that the projects will face at the implementation phase.

1.2.2 Determining the Company's Legal Structure:

Determining the legal structure of the company is among the most important basic steps when considering the creation of the company and before initiating any action. The following section explains the laws governing the establishment of companies in Lebanon:

1. Lebanese Commercial Law Regulations issued by the Legislative Decree No. 304 of December 24, 1942



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2. The law of obligations and contracts issued on March 9, 1932

1.1.2.2 Types of Commercial Companies in Lebanon:

The following figure presents the forms and types of companies and the differences through which you can choose the appropriate type for your project according to its nature, while the subsequent figure explains the characteristics of these companies.

Figure 2: The companies' different legal entities in Lebanon

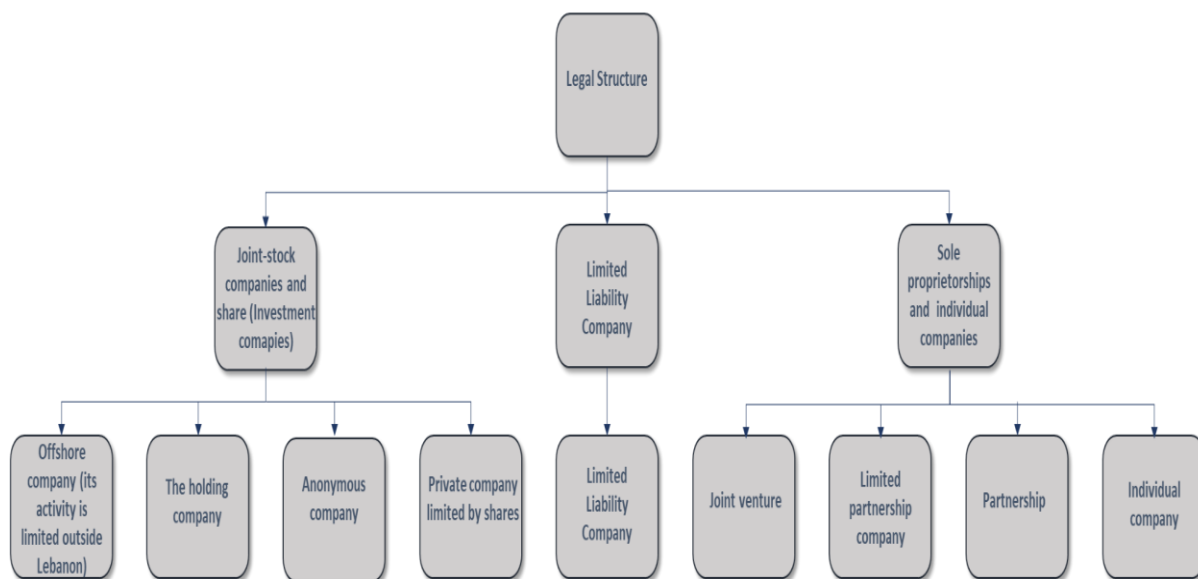


Figure 3: Characteristics of the companies

Individual company

An individual company is a business owned by one person and does not have an independent legal status.

Individual company is the most common form of small businesses.

The advantages of individual companies:

- 1- Simplified formalities.
- 2- There is no minimum capital.
- 3- Independence and decision-making freedom.

Partnerships

- A company composed of two or more people.
- The partners share the profits and bear the loss, each in certain percentages to be agreed upon. The partners are jointly responsible and their liability is unlimited
- Each partner of a partnership with joint and several liability is considered as if he/she was trading under the name of a company, and each of them acquires the status of a legal trader. The bankruptcy of the company leads to the personal bankruptcy of each partner.

Advantages	Disadvantages
- It does not require any special conditions for its capital	- The assumption of the loss is carried out according to certain percentages to be

	agreed upon - Unlimited liability
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→ The second chapter of the second book, the Land trade law.

Limited partnership company

- It is made up of two categories of partners: the first category consists of the general partners, who are the only ones authorized to carry out the administrative work of the company, and who are personally, indefinitely, jointly and severally liable for the payment of the debts; the second category is that of the limited partners who contribute money and are only liable up to the amount of their investment and do not acquire the status of trader.

Advantages	Disadvantages
- A limited partnership does not require any particular conditions regarding its capital	- The limited partner must obtain the approval of the general partners prior to withdrawing from the partnership

→ Chapter four of book two of the Commercial law.

Joint venture

- An assembly of persons bound by a company contract by which two or more parties agree to jointly share the profits and losses arising from the business of the contract. The joint venture differs from other partnerships in that its entity is limited to the contracting parties and is not intended to be viewed by other parties.

- A manager may be appointed from among the partners to deal with other parties without indicating the names of the other associates. In the absence of the appointment of a manager, each partner shall act on behalf of the partnership in his/her own name.

- The Joint Venture is confidential and based on personal considerations and does not have a legal status and therefore cannot claim against others or be invoked by others.

- The Joint Venture is not subject to advertising like other companies, as it is unknown to third parties and therefore not subject to registration in the Trade Registry.

- The company cannot issue any transferable or negotiable shares or bonds for the benefit of the partners.

Advantages	Disadvantages
- The Joint Venture is not subject to	- The joint venture has no legal status and

imposed advertising like other companies, as it is unknown to third parties and therefore not subject to registration in the Trade Registry.

therefore cannot claim against others or be invoked by others.

→ Chapter four of book two of the Commercial law.

Limited liability company

- A mixture of individual companies and investment companies. It can be created by a single person.
- It has only a limited number of partners, and their shares are not negotiable, and they bear losses only to the limit of their investment.
- The partners are called managers, the shares are called shares and the company does not issue certificates.
- The capital is not lower than 5 million Lebanese pounds.
- This company carries out guarantee, savings, organized flight, banking and capital investment projects on behalf of third parties.

- This company is owned, according to the old law, by three or more persons, provided that the number of partners does not exceed twenty, except in the case of transfer of shares by inheritance.

- Whereas, if the number of partners exceeds thirty, the company must be transformed into a joint-stock company, and if it does not convert within two years, it must be dissolved.

It should be noted that according to the new law, it has become possible to establish it with only one partner.

Advantages	Disadvantages
It can be established with only one partner.	If the number of partners exceeds thirty, the company must be transformed into a joint-stock company within two years, and if it does not convert, it must be dissolved

→ Chapter seven of book two of the Commercial law.

Joint stock company

- A minimum of 3 founders

- The capital shall not be less than thirty million Lebanese pounds divided into equal shares, the value of which shall be at least 1000 Lebanese pounds

- The partners are personally liable for the company's debts and cannot transfer their shares to others.

Advantages	Disadvantages
No restrictions on activities Partners are only responsible for debts up to the amount of their shares	High minimum capital requirement

→ Chapter three of Book 2 of the Land Trade law/ Article 2 of Chapter 9 of the Land Trade law.

Anonymous company

- Is composed of three or more individuals
- The liability of the shareholder is limited to the value of the shares he owns
- The capital is not lower than 30 million Lebanese pounds

Advantages	Disadvantages
- Equally Tradable Shares - Partners are not questioned about liabilities	- It requires the raising of large amounts of capital

→ Chapter three of book two of the Commercial law.

The Holding

- Holding shares or parts in Lebanese or foreign resident anonymous companies or limited liability companies, or participating in their establishment, provided that a holding company shall not directly hold more than forty percent in more than two companies operating in the same industrial sector, commercial or non-commercial activity in Lebanon, as it leads to monopoly.
 - Management of companies in which it holds shares or stocks.
 - Lending to companies in which it holds shares or stocks and guaranteeing them vis-à-vis third parties.
 - Owning patents, inventions, franchises, trademarks and other reserved rights and leasing them to institutions located in Lebanon and overseas.
- Owning movable or immovable assets, provided that they are intended for its own professional needs, taking into account the provisions of Lebanese law governing the acquisition of real estate rights by non-Lebanese.

Advantages	Disadvantages
One of its advantages is that its head office is in Lebanon, but the Board of Directors meetings and the General Assemblies can be held outside Lebanon	- A holding company is prohibited from directly owning more than 40% of more than two companies operating in the same industrial sector, commercial or non-commercial activity in Lebanon.

→ Decree Law 83/46

Offshore company

It operates exclusively outside the Lebanese territory or in the customs free zone, and can be established by one person and perform the following tasks:

- Negotiating and signing contracts and agreements related to operations and contracts implemented outside the Lebanese territories and the shipment of goods and materials found abroad or in the customs free zone.
- Using the facilities available in the customs free zone to store imported goods for the purpose of re-exporting them, renting offices in Lebanon and owning the real estate necessary for its activity, taking into account the law on foreign ownership of real estate rights in Lebanon.

Advantages	Disadvantages
- One of its advantages is that its headquarter is in Lebanon, while it operates outside the Lebanese borders.	- Signing contracts and agreements relating to operations and transactions implemented outside the Lebanese territory.

→ Decree Law 83/46

2.2.2 Market and financial feasibility analysis of the project

Conducting a feasibility study of the project is very important before launching it. The feasibility study determines whether or not the project should be implemented.

There are two types of feasibility studies:

The first type: a preliminary feasibility study to determine the feasibility of proceeding with the project.

The second type: an integral feasibility study, which comes after the preliminary study, to find the appropriate location for the business, to determine the profit rate, the initial cost, the best ways to develop the business, and other things that the feasibility study aims to clarify and make clear.

Therefore, this step is important to establish the project from scratch and is mainly related to conducting a market study, and this study should include the following elements:

- Accurate and detailed identification of the target market and its size.
- Accurate identification of potential customers.
- Illustrate the suitability of the site for implementation of the project.

- Measure the supply and demand ratio.
- Measure the level of competition.
- Study the expected costs to be disbursed and the expected profits to be realised.

ii. Financing

Starting a small business does not necessarily require a lot of funds, but it will require an initial investment, as well as the ability to cover ongoing expenses before you can make a profit. Hence the importance of knowing how to finance the project.

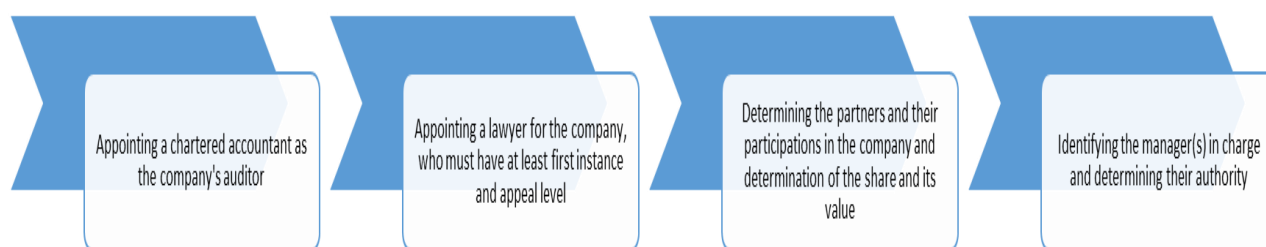
Among the most important decisions that need to be made in determining the amount of funding required are the following:

1. Determine the capital by estimating initial one-time construction costs (licenses and permits, equipment, legal fees, insurance, trademark acquisition and market research, inventory, branding, grand opening events, property rental, etc.).
2. Determine the expenses you estimate you will need to keep your business operating for at least 12 months (rent or purchasing costs and utilities, marketing and advertising, production, supplies, travel expenses, employee wages, your salary, etc.). Therefore, the sum of these costs represents the amount of initial investment you will need or the estimated initial capital.

3.2 The Second Stage (Preparation)

This stage is considered the starting point for the establishment of the project, as it focuses on the development of an initial work plan that includes the designation of the necessary personnel to prepare the documents required for a business incorporation. Through this stage, the focus will be on the procedures to be followed to prepare for the establishment of a company, and this part is divided into requirements to be met, as well as the documents required in the preparation stage.

Figure 4: Procedures for preparing to start a business



1.3.2 Preparing the necessary documents to establish a company in Lebanon

The documents and papers required for the registration of companies differ according to their type, and the following figure shows the documents required for the registration of companies in Lebanon according to their legal form:

Figure 5: Documents required to apply for company registration under different legal forms

Partnership	Individual company	Joint stock company	Limited Liability Company
<ul style="list-style-type: none"> • An application submitted by the person concerned or his/her representative to the Secretariat of the Commercial Registry to register the company. • A copy of the identity card or an individual civil registry record of the applicant. • A company registration form (authorization for the Central Administration of Statistics) and a digital form. • A notary's power of attorney if the applicant is not the person concerned. • The application, together with the above-mentioned documents, must be submitted to the Secretariat of the Commercial Registry. • The Ministry of Finance for paying the fees 	<ul style="list-style-type: none"> • The original commercial register • Lease or ownership contract of the premises • Business Denomination certificate (issued by the Ministry of Industry, Trade and Finance) • Document showing the occupancy permit or site plan of the organization • Identity card 	<ul style="list-style-type: none"> • Articles of Association of the Company • Registration document • A letter to the bank to open an account for a company in the process of incorporation in which the capital will be deposited • A letter issued by the bank confirming the subscription is complete • Minutes of Constituent General Assembly Meeting • Minutes of First Board of Directors Meeting • Registration form • Commercial circular • A copy of the property title or lease agreement • Copies of personal identification cards 	<ul style="list-style-type: none"> • The articles of association of the company must be certified by the notary • Registration document • A letter to the bank to open an account for a company in the process of incorporation in which the capital will be deposited • A letter issued by the bank confirming the subscription is complete. • Minutes of the General Meeting of Partners • Registration form • Commercial circular • A copy of the property title or lease agreement • Copies of personal identification cards

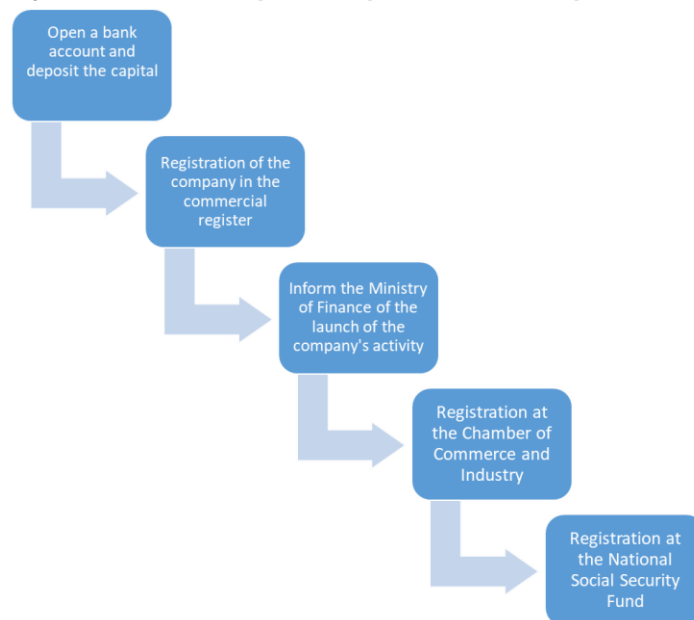
4.2 The third stage (establishment) :

1.4.2 Procedures for establishing a company in Lebanon

In this stage, the focus will be on the legal procedures and steps required for incorporation, which vary depending on the legal form of the companies. The following section explains the

most important procedures required to establish companies, as summarized in the following figure:

Figure 7: A summary of the most important procedures required to start a business



* Please note that the establishment procedures do not differ from one company to another, but the documents required for the establishment are those that differ according to each type of company. Attached to the following tables, you may find the forms of the required documents depending on the legal forms of the company.

Table 2 Forms of documents required to create a joint stock company:

Documents	Templates
Articles of Association of the Company	https://investinlebanon.gov.lb/Content/uploads/SAL_Articles_of_Association.doc
Subscription document	https://investinlebanon.gov.lb/Content/uploads/SAL_Subscription_Acts.docx
A letter to the bank	https://investinlebanon.gov.lb/Content/uploads/SAL_Subscription_Acts.docx

Minutes of Constituent Assembly Meeting	https://investinlebanon.gov.lb/Content/uploads/SAL_Minutes_of_Constituent_Assembly_Meeting.doc
Minutes of First Board of Directors Meeting	https://investinlebanon.gov.lb/Content/uploads/SAL_First_Board_of_Directors.doc
Registration Request	https://investinlebanon.gov.lb/Content/uploads/SAL_Registration_Request.doc
Commercial circular	https://investinlebanon.gov.lb/Content/uploads/Offshore_Commercial_Circular.doc
A copy of the property title or lease agreement or Domiciliation certificate	https://investinlebanon.gov.lb/Content/uploads/SAL_Domiciliation_Certificate.docx

Table 3 Forms of documents required to create a Limited liability company:

Documents	Templates
Articles of Association of the Company	https://investinlebanon.gov.lb/Content/uploads/SARL-Articles_of_Association.doc
Subscription document	https://investinlebanon.gov.lb/Content/uploads/SAL_Subscription_Acts.docx
A letter to the bank	https://investinlebanon.gov.lb/Content/uploads/SARL-Request_to_Open_Bank_Account.doc

Minutes of the General Meeting of Partners	https://investinlebanon.gov.lb/Content/uploads/SARL-First_General_Meeting.doc
Registration Request	https://investinlebanon.gov.lb/Content/uploads/SARL-Registration_Request.doc
Commercial circular	https://investinlebanon.gov.lb/Content/uploads/SARL-Commercial_Circular.doc
A copy of the property title or lease agreement or Domiciliation certificate	https://investinlebanon.gov.lb/Content/uploads/SARL-Domiciliation_Certificate.docx

Table 4 Forms of documents required to create a Holding company:

Documents	Templates
Articles of Association of the Company	https://investinlebanon.gov.lb/Content/uploads/Holding_Articles_of_Association.doc
Subscription document	https://investinlebanon.gov.lb/Content/uploads/Holding_Subscription_Acts.docx
A letter to the bank	https://investinlebanon.gov.lb/Content/uploads/SAL_Subscription_Acts.docx
Minutes of Constituent General Assembly Meeting	https://investinlebanon.gov.lb/Content/uploads/SAL_Minutes_of_Constituent_Assembly_Meeting.doc
Minutes of First Board of Directors Meeting	https://investinlebanon.gov.lb/Content/uploads/Holding

	First Board of Directors.doc
Registration Request	https://investinlebanon.gov.lb/Content/uploads/Holding_Registration_Request.doc
Commercial circular	https://investinlebanon.gov.lb/Content/uploads/Holding_Commercial_Circular.doc
A copy of the property title or lease agreement or Domiciliation certificate	https://investinlebanon.gov.lb/Content/uploads/SAL_Domiciliation_Certificate.docx

Table 5 Forms of documents required to create an offshore company:

Documents	Templates
Articles of Association of the Company	https://investinlebanon.gov.lb/Content/uploads/Offshore_AOA.doc
Subscription document	https://investinlebanon.gov.lb/Content/uploads/Offshore_Subscription_Acts.docx
A letter to the bank	https://investinlebanon.gov.lb/Content/uploads/SAL_Subscription_Acts.docx
Minutes of Constituent General Assembly Meeting	https://investinlebanon.gov.lb/Content/uploads/SAL_Minutes_of_Constituent_Assembly_Meeting.doc
Minutes of First Board of Directors Meeting	https://investinlebanon.gov.lb/Content/uploads/Offshore_First_Board_of_Directors.doc

Registration Request	https://investinlebanon.gov.lb/Content/uploads/Offshore_Registration_Request.doc
Commercial circular	https://investinlebanon.gov.lb/Content/uploads/Offshore_Commercial_Circular.doc
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2.4.2 In case of establishing a factory

The Industrial Licensing Department of the Lebanese Ministry of Industry is responsible for issuing industrial licenses. The following annex outlines the documents required to obtain an industrial certificate in Lebanon: